



#35508

DATE: OCTOBER 31, 2014

SUBJECT: SEARS HOLDINGS CORPORATION - RIGHTS DISTRIBUTION
OPTION SYMBOLS: SHLD/2SHLD
NEW SYMBOLS: SHLD3/2SHLD3
DATE: 11/3/14
UPDATE

Sears Holdings Corporation (SHLD) has declared a Rights distribution to Sears Holdings Corporation Shareholders, as described below:

RIGHTS: One (1) Right entitles the holder to purchase one Unit. Each Unit is immediately separable into one 8% Senior Unsecured Note due December 15, 2019 in the principal amount of \$500 and 17.5994 Warrants with each Warrant entitling the holder to purchase one share of Sears Holdings Corporation Common Stock at an exercise price of \$28.41 per share.

PRICE: \$500.00 per whole Unit

DISTRIBUTION RATIO: One transferable Right per 85.1872 SHLD Common Shares. Fractional rights will be rounded down to the nearest whole right.

RECORD DATE: October 30, 2014

EXPIRATION: 5:00 p.m. New York City Time on November 18, 2014, unless extended

SUBSCRIPTION AGENT: Computershare, Inc.

GUARANTY PERIOD: NONE

Sears Holdings Corporation Rights began trading on NASDAQ under the symbol "SHLDZ" on October 31, 2014.

The ex-date for the Rights distribution is **November 3, 2014**.

CONTRACT ADJUSTMENT

EFFECTIVE DATE: November 3, 2014

OPTION SYMBOLS: SHLD becomes SHLD3
2SHLD becomes 2SHLD3

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|------------------------------|---|
| STRIKE DIVISOR: | 1 |
| CONTRACT MULTIPLIER: | 1 |
| NEW MULTIPLIER: | 100 (e.g., a premium of 1.50 yields \$150) |
| NEW DELIVERABLE PER CONTRACT | 1) 100 Sears Holdings Corporation (SHLD) Common Shares 2) 1 Sears Holdings Corporation Right (SHLDZ) |
| SETTLEMENT ALLOCATION: | SHLD: 95% SHLDZ: 5% |
| CUSIPS: | SHLD: 812350106 SHLDZ: 812350148 |

THE ALLOCATION OF THE AGGREGATE STRIKE PRICE AMOUNT IS BEING PROVIDED SOLELY FOR THE PURPOSE OF THE INTERFACE BETWEEN OCC AND THE NATIONAL SECURITIES CLEARING CORPORATION (NSCC), AND IS NOT INTENDED TO BE USED FOR ANY OTHER PURPOSE, TRANSACTION OR CUSTOMER ACCOUNT STATEMENTS.

SETTLEMENT

The SHLD and SHLDZ components of the SHLD3/2SHLD3 exercise/assignment activity will settle through National Securities Clearing Corporation (NSCC).

NOTE: It is anticipated that the Rights will be suspended from trading on NASDAQ on November 14, 2014. The Rights are expected to expire on November 18, 2014. The SHLDZ component of adjusted options SHLD3/2SHLD3 will remain a part of the SHLD3/2SHLD3 deliverable until the Rights have expired. Once the expiration of the Rights has been confirmed, the SHLDZ component will be removed from the SHLD3/2SHLD3 deliverable. This change to the deliverables is expected to be effective on November 19, 2014.

PRICING

The underlying price of SHLD3/2SHLD3 will be determined as follows:

$$\text{SHLD3} = \text{SHLD} + .01(\text{SHLDZ})$$

FURTHER CONTRACT ADJUSTMENT

When the Rights expire, adjusted SHLD3 options will be further adjusted to no longer call for the delivery of the Rights. **No adjustment will be made to the adjusted contracts to compensate for any in-the-money value the SHLD Rights may have at the time of their expiration.**

EXERCISE CONSIDERATIONS

The Rights are anticipated to be suspended from trading on November 14, 2014 and expire on November 18, 2014. Call option holders who wish to exercise their adjusted options to obtain the Rights for subsequent exercise, sale or other purposes bear sole responsibility for determining when to exercise their options as well as complying with all terms and conditions of the Rights offering applicable to Rights exercise or delivery. Provisions for guaranteed delivery are not available for the Rights offering..

DELIVERY SETTLEMENT AND PROTECT PROVISIONS

Option contracts which are exercised, and physically-settled security Futures contracts which mature, will require the settlement of all component securities included in the contract deliverable at the time of the option contract exercise, including rights, warrants, or similar instruments. Additional entitlements (such as due bills, eligibility to participate in tender offers, elections, etc.) may also automatically attach to securities deliverable upon option exercise. Conversely, exercised calls and or matured Futures contracts may be unable to realize the benefit of securities or entitlements **not** associated to the contract deliverable at the time of the option exercise or Option contract maturity.

Except in unusual cases, securities deliverable as a result of equity option exercises and or Option contract maturity are settled through National Securities Clearing Corporation (NSCC).

Rights and obligations of Members with respect to securities settling at NSCC as a result of an option exercise/assignment are governed by the rules of NSCC. NSCC has its own rules which enable purchasers of securities to protect themselves for value which may be lost if timely delivery is not made to them of securities subject to specific deadlines, such as the expiration of a tender offer, rights offering, election, or similar event. These rules are generally called protect or liability notice procedures, and are intended to protect purchasers by binding the delivering parties to liability if such value is lost because timely delivery is not effected. Purchasers of securities must observe the rules and procedures of NSCC to avail themselves of such protect provisions of NSCC. Questions regarding these provisions should be addressed to NSCC.

SPECIAL RISKS

Call Holders/ Put Writers

As a result of the adjustment described above, the Rights will be part of the adjusted SHLD3/2SHLD3 options deliverable, but only until the Rights expire, after which time they will be dropped from the deliverable of the option contract. When the Rights expire and are dropped from the deliverable of the option contract, any value the Rights may have had will no longer be associated with the option contract. As a result, holders of in-the-money calls may be disadvantaged unless they exercise in sufficient time to obtain the Rights. After the Rights expire and are dropped from the deliverable of the option contract, holders of short put positions who are assigned will be required to purchase SHLD stock whose value may have been substantially diminished by the Rights distribution.

Uncovered Short Obligations

Holders of assigned calls or exercised puts, and holders of short positions in physically-settled security Futures at maturity who do not possess the underlying security at the time of assignment or exercise are subject to special risk. Suspension of trading of the underlying security, inability to borrow the security, or similar events may preclude the possibility of effecting timely delivery, thereby exposing persons with an obligation to deliver to liability if timely delivery is not effected (See Delivery Settlement and Protect Provisions above).

DISCLAIMER

This Information Memo provides an unofficial summary of the terms of corporate events affecting listed options or futures prepared for the convenience of market participants. OCC accepts no responsibility for the accuracy or completeness of the summary, particularly for information which may be relevant to investment decisions. Option or futures investors should independently ascertain and evaluate all information concerning this corporate event(s).

The determination to adjust options and the nature of any adjustment is made by a panel of The OCC Securities Committee pursuant to OCC By-Laws, Article VI, Sections 11 and 11A. The adjustment panel is comprised of representatives from OCC and each exchange which trades the affected option. The

determination to adjust futures and the nature of any adjustment is made by OCC pursuant to OCC By-Laws, Article XII, Sections 3, 4, or 4A, as applicable. For both options and futures, each adjustment decision is made on a case by case basis. Adjustment decisions are based on information available at the time and are subject to change as additional information becomes available or if there are material changes to the terms of the corporate event(s) occasioning the adjustment.

ALL CLEARING MEMBERS ARE REQUESTED TO IMMEDIATELY ADVISE ALL BRANCH OFFICES AND CORRESPONDENTS ON THE ABOVE.

For questions regarding this memo, call Investor Services at 1-888-678-4667 or email investorservices@theocc.com. Clearing Members may contact Member Services at 1-800-544-6091 or, within Canada, at 1-800-424-7320, or email memberservices@theocc.com.